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## **Nigeria**

### **Grain and Feed**

### **Grain and Feed Annual Report**

## **1999**

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#### **Report Highlights:**

**Nigerian wheat imports in the current year are estimated to reach the highest level seen this decade. The U.S. is the dominant supplier with an estimated 80 percent or 1.2 MMT out of the total 1.5 MMT. Nigeria is the third largest export market for U.S. HRW in 1998/99 to date, and is the destination for about 70 percent of all U.S. wheat exports to Subsaharan Africa.**

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
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## **Executive Summary**

Continued robust growth of Nigerian wheat imports in the current year has brought about another upward revision for 1998/99. For the first time since the mid 1980s, Nigeria will purchase over 1.0 MMT of U.S. wheat. U.S. share of the estimated 1.5 MMT market is hovering around an estimated 80 percent. U.S. wheat exports to Nigeria have grown by an annual average of around 25 percent in the past 5 years. The potential for continued growth exists, but macroeconomic variables, especially any devaluation of the naira, may temper the growth in the forecast year.

Total Nigerian grain production is estimated to have increased by 4.4 percent in 1998 compared to 4.10 percent in 1997 despite the erratic rainfall observed at the onset of the planting season. Overall the rainfall was adequate as late rains were sufficient for a good crop. Crops such as millet and sorghum recorded appreciable production gains.

The moderate performance of the sector resulted largely from increases in productivity as land area under cultivation reportedly declined. Fertilizer supply improved substantially during the year under review as importers took advantage of the privatization of fertilizer procurement and distribution to import to supplement local production. However, prices of fertilizers have increased substantially following the removal of the subsidy on the products.

Meanwhile, the breweries have begun a gradual shift from the use of corn to barley malt following the official lifting of the import ban on barley and barley malt in 1998. Consequently, there has been a moderation in the demand for and price of corn as the breweries play a key role in determining its price.

Yields for rice and maize increased as a result of increased adoption of high yielding varieties from the National Seed Service and seed companies. An estimated 750,000 tons of parboiled rice was imported during the 1998/99 season. Intense competition among the numerous importers has kept prices competitive and the demand is rising. Corn importation remains officially banned.

The short to medium term outlooks for Nigeria's grain production sector appear mixed and will depend to a great extent on the improvement of the extension system, availability of fertilizers at affordable prices, and the level of adoption improved planting seed varieties by farmers. Nigeria's dependence on rain fed agriculture always poses a potential threat to overall grain production.

Exchange Rate:        US\$1 = 90 Naira

## Wheat

PSD Table						
Country:	Nigeria					
Commodity:	Wheat					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		07/1997		07/1998		07/1999
Area Harvested	30	30	30	35	0	35
Beginning Stocks	50	100	50	100		100
Production	35	20	20	40	0	45
TOTAL Mkt. Yr. Imports	956	1100	1100	1500	0	1600
Jul-Jun Imports	956	1100	1100	1500	0	1600
Jul-Jun Import U.S.	607	800	800	1200	0	1300
TOTAL SUPPLY	1041	1220	1170	1640	0	1745
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	991	1120	1170	1540	0	1645
Ending Stocks	50	100		100		100
TOTAL DISTRIBUTION	1041	1220	1170	1640	0	1745

## Production

A modest increase in domestic wheat production is forecast for 1999/2000. This follows from an increase in promotional activities embarked upon by the GON to increase local production. Wheat is a Fadama (lowland) crop grown in a few states in the North of the country.

## Consumption

Nigeria consumes the vast bulk of its wheat in the form of bread, most of which is made from U.S. Hard Red Winter (HRW) wheat. Bread consumption is booming, with a large number of (small by U.S. standards) bakeries entering the market in the past two years. Consumption is forecast to rise 50 percent in 1999/2000 over 1997/98 figures, which makes this market one of the fastest growing in terms of consumption of any of the major importing countries.

Flour milling capacity utilization has increased from an estimated 35 percent in 1998 to 40 percent in 1999. There are about 20 active flour milling companies in Nigeria, with an estimated combined annual milling capacity of 4.1 MMT. Local investment in milling is growing; one mill, imported in the 1980s, but not erected until 1998 because of the wheat import ban was commissioned in 1998 (daily grind 450 tons), while another mill (daily grind 500 tons) is now under construction and expected to be operational in the later half of 1999. Another milling company has purchased and is in the process of moving an existing small mill from the north to Lagos to mill soft wheat for biscuits.

## Prices

From a peak of 2,500 Naira in 1996, the price for wheat flour fell to Naira 1,800 in 1998. The decline in prices follows from a moderation in the price of imported wheat beginning in 1997. The price reduction is also attributed in part to the GON's 1998 fiscal policy, which removed excise duties formerly paid by flour millers.

However, the price of flour increased early 1999 due to the devaluation of the local currency from naira 86.00/\$1.00 to the current naira 90.00/\$1.00. There are indications also that flour prices will increase further in the near term following the doubling of the effective import duty rate from 7.5 to 15 percent.

## Trade

Import Trade Matrix			
Country:		Units:	Tons
Commodity:			
Time period:	Jul-Jun		
Imports for	1997		1998
U.S.	606,000	U.S.	800,000
Others		Others	
Canada	150,000		183,000
Argentina	158,000		92,000
Australia	31,000		25,000
EU	10,000		
Total for Others	349000		300000
Others not listed			
Grand Total	955000		1100000

A 100,000 metric ton increase in imports over the revised 1998/99 estimates of 1.5 million tons is forecast for the coming year. The projection is however, predicated on the continued stability in the foreign exchange rate, which has of late been volatile.

Post has revised 1998/99 import estimates for Nigeria to 1.5 million tons compared to earlier estimate of 1 million tons, of which 1.2 million tons originate in the U.S. Nigeria is the leading destination in Sub-Saharan Africa for U.S. wheat, accounting for some 70 percent of all U.S. shipments to the region and the sixth largest market for U.S. wheat in 1998/99. Nigeria is the only market among the top six save Japan which purchases

U.S. grain on a cash basis only (GSM export credit guarantee programs have no approved banks in Nigeria).

The importance of Nigeria as a destination for U.S. wheat exports has grown substantially since 1993, when the Government of Nigeria (GON) removed the wheat import ban which was imposed in 1986. In the past five years, Nigerian wheat import growth has averaged about 28 percent annually, and U.S. exports in the same period have grown at an average of nearly 25 percent.

Major competitors in the Nigerian market are Canada and Argentina (16.8% and 8.4 % market share respectively in 1997/98). U.S. market share remains dominant, but subject to fairly large fluctuations. In the past five years, U.S. market share has ranged from a high of 96 percent in 1995/96 to just 64 percent in 1996/97. In order to sustain or increase U.S. share of the Nigerian wheat market, US wheat must remain price competitive. Nigerian millers have in the past shifted origin in search of relative bargains, as was the case in 1996/97, when the landed price of U.S. wheat reached a high of 280 dollars per metric ton. During that period not only did the U.S. wheat lose market share, it also lost in absolute terms.

Nigeria is principally a market for hard wheat, the bulk of which is milled for the production of bread. In the current year to date, about 90 percent of U.S. wheat shipped to Nigeria has been HRW, although a growing volume of SRW, estimated at about 100,000 tons, for biscuits is also evident.

## Policy

### Tariffs

The Nigerian wheat import tariff was increased from an effective rate of 7.5 percent *ad valorem* in 1998 to 15.0 percent in 1999. The 1998 tariff was 10 percent, but the Nigerian Government in 1995 announced a broad 25 percent reduction in the published tariff rates, which applied to wheat. In the 1999 budget, announced in January, the tariff for wheat was increased to 15 percent, and the 25 percent duty reduction was abolished for all commodities.

The effective doubling of the rate of duty is another cost hurdle which Nigerian millers now face. The initial impact on imports has been small. However, in a price/cost sensitive market like Nigeria, ultimately the price of flour may rise, and crimp demand. Since the tariff is *ad valorem*, when wheat prices increase the tariff cost (expressed as a percentage of the price received for flour) is magnified. The cost of the tariff expressed as a percentage cost of the price of flour is also compounded by exchange rate fluctuations.

For example, for wheat landed in 1998 for \$175.00 per ton under the previous effective tariff rate of 7.5 percent and an exchange rate of \$1.00/85.00 naira, the estimated tariff cost as a percentage of the flour price was about 4.3 percent (given 75 percent average extraction rate and flour price of naira 1,750 per 50 kg bag). With the new tariff, the recent devaluation to \$1.00/90.00 naira and landed cost of wheat of \$200.00 per ton, the tariff represents 9.5 percent of the price of flour, even with the increase to about naira 1,900/50 kg which was recently announced by the millers.

The effective doubling of the import duty for wheat from 7.5 to 15.0 percent is an important element in the cost structure for Nigerian flour millers. When combined with currency devaluation and/or price increases for wheat, the cost increases as a consequence of the tariff change can be substantial.

Preshipment inspection, which previous to the 1998 budget was a requirement for all imports into Nigeria, including grain has now been abolished and replaced with destination inspection. The cumbersome, costly and time-consuming preshipment inspection regime will not likely be missed by Nigerian importers, although the mechanics of the new destination inspection system still remain vague.

## **Marketing**

Basic demographic extrapolation from past consumption levels suggests that Nigeria has the potential to import 3 million tons of wheat per year compared to the revised estimate of 1.5 million tons recorded for the 1998/99 marketing year. There are indications that the market is steadily expanding. Economic recovery, should it come, can be expected to strengthen the purchasing power of consumers and increase demand for convenience foods such as bread. However, such a doubling of imports may not occur in the near term, unless there is stability in the exchange rate of the local currency and sustained improvement in Nigeria's economic performance.

U.S. wheat has a controlling share of about 80 percent of the total wheat imports into Nigeria. The major competitors for U.S. wheat in Nigeria are Canada, followed by Argentina. In general, wheat sold by the Canadian Wheat Board (CWB) is known by local millers to be of higher quality. However, millers in this region are extremely sensitive to price; the discussion of quality and its impact upon U.S. exports must also consider price. Nevertheless, quality is an issue for wheat importers in this market.

## Sorghum

PSD Table						
Country:	Nigeria					
Commodity:	Sorghum					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Area Harvested	6450	6500	6500	6600	0	6600
Beginning Stocks	200	200	200	200		200
Production	6600	6930	7000	7300	0	7400
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0
Oct-Sep Imports	0	0	0	0	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	6800	7130	7200	7500	0	7600
TOTAL Mkt. Yr. Exports	0	55	0	55	0	55
Oct-Sep Exports	0	55	0	55	0	55
Feed Dom. Consumption	125	80	135	90	0	90
TOTAL Dom. Consumption	6600	6875	7200	7245	0	7345
Ending Stocks	200	200		200	0	200
TOTAL DISTRIBUTION	6800	7130	7200	7500	0	7600

## Production

Sorghum is the most widely cultivated cereal in Nigeria, occupying more than 45 percent of cultivated area devoted to grains. Sorghum cultivation spans the North to the Middle-belt zones where moisture levels are low. Although the dry spell that occurred early in the 1998/99 season brought about replanting, the crop was able to adjust and perform well. Except for localized attacks of army worm, stem borer and striga, there were no serious attacks by pests and diseases that affected production.

Post forecasts a 5 percent increase in production in 1999/2000 over the 1998/99 estimate of 7.3 million tons. Rainfall started early in march, which indicates that it will be favorable throughout the season. In addition, an increasing number of sorghum farmers are reportedly adopting hybrid varieties developed by research institutes.

## Consumption

Sorghum has a large and growing domestic market because of its extensive use for food and local beer brewing. However, industrial demand by biscuit and beer manufacturers for sorghum may decline in 1999 following the lifting of the import ban on substitute barley and barley malt. Beer was previously produced in Nigeria from corn and sorghum when barley and barley malt importation was banned.



Consequently, market sources indicate that year on year price of sorghum declined from 24,000 in 1998 to 17,000 Naira per ton currently.

## **Trade**

Nigeria is self-sufficient in sorghum production. An official import ban on sorghum into Nigeria was in place until January 1999 when it was lifted. Given the scenario of increasing production and declining industrial demand, it is not likely that there will be any imports in the near term. There are no official records of exports, but an estimated 50,000 tons is trade informally across the Northern borders.

## Rice

PSD Table						
Country:	Nigeria					
Commodity:	Rice, Milled					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
Area Harvested	1658	1660	1650	1660	0	1660
Beginning Stocks	269	100	219	100		100
Milled Production	1950	1850	1850	1850	0	1900
Rough Production	0	0	0	0	0	0
Milling Rate(.9999)	6000	6000	6000	6000	0	6000
TOTAL Imports	500	700	800	750	0	750
Jan-Dec Imports	800	700	600	750	0	750
Jan-Dec Import U.S.	10	10	0	15	0	25
TOTAL SUPPLY	2719	2650	2869	2700	0	2750
TOTAL Exports	0		0	0	0	0
Jan-Dec Exports	0		0	0	0	0
TOTAL Dom. Consumption	2500	2550	2869	2600		2650
Ending Stocks	219	100		100	0	100
TOTAL DISTRIBUTION	2719	2650	2869	2700	0	2750

## Production

The cultivation of rice is widespread in Nigeria, grown in all of Nigeria's six ecological zones. Field sources indicate an increase in area planted but with declining yields resulting from low fertilizer utilization. The 1998 rice crop suffered considerable flooding and localized attacks of stem borers. Figures available for the 1998 season indicate a 5 percent increase in output.

Nigeria's Cereals Research Institute, Badeggi, which has the mandate for genetic improvement of rice, has continued to introduce farmers to improved farming systems and rice varieties for the various ecologies in Nigeria. Available varieties are medium to long grain and are tolerant to blast, which is the most devastating disease of rice in Nigeria.

## Consumption

Imported parboiled rice is now widely consumed in Nigeria even in the rural areas traditionally controlled by local rice. Hitherto, the market was segregated, with the imported parboiled rice mostly available in the urban areas where incomes are higher. The shift in consumption is explained by the competitive pricing of imported

parboiled rice.

## **Trade**

The liberalization of rice trade has continued to encourage increased importation of parboiled rice largely from South East Asia. Post forecasts a 7 percent increase in imports in 1999 over the revised 1998 figure of 750,000 tons. The sustained high demand for imported parboiled rice is due largely to the relatively stable and competitive price vis-a-vis the price of substitute staples.

Rice trading is an all comer's game because importation is completely liberalized after the official ban on imports was lifted in 1995. Competition among importers has considerably narrowed the price gap between imported parboiled rice and the local rice. Low domestic production and competitive prices of imported rice have increased import demand.

The bulk of Nigeria's rice imports comes from South East Asia with about 80 percent coming from Thailand alone with small amounts from India and Vietnam. Rice trade is conducted on cash and carry basis, although some importers obtained credit with a repayment period of up to 90 days.

## **Prices**

Devaluation of the local currency and the increase in the effective import duty rate have resulted in rising prices of rice in the Nigerian market. The Nigerian rice market is price sensitive because of weak purchasing power among many Nigerians. Year on year retail price of rice increased from 2,100 Naira per 50 kilogram bag in April 1998 to 2,700 naira in March 1999.

## **Policy**

### **Tariffs**

The customs duty on rice is currently 50 percent ad valorem. The GON in 1995 announced a broad 25 percent reduction in the published tariff rates, which applied to rice, but in the 1999 budget, announced in January, the 25 percent duty reduction was abolished for all commodities. There is also a 7 percent of duty payable charged as a "port surcharge".

## **Marketing**

American rice has market potential in Nigeria based on quality and consumer acceptance. The return of Uncle Ben's rice continues to generate a lot of interest among Nigerians. The introduction of Uncle Ben's rice in 25 and 50 kilogram bags should modestly increase U.S. market share. In addition, it may be cost effective to consider importing bulk and re-bagging locally. Although the bulk rice market will remain price sensitive, the opportunity for U.S. parboiled rice to attract more affluent consumers exists.

## Corn

PSD Table						
Country:	Nigeria					
Commodity:	Corn					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Area Harvested	3500	3450	3450	3400	0	3400
Beginning Stocks	200	100	100	50		50
Production	5000	4900	4900	4950	0	4900
TOTAL Mkt. Yr. Imports	12	0	10	0	0	0
Oct-Sep Imports	12	0	10	0	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	5212	5000	5010	5000	0	4950
TOTAL Mkt. Yr. Exports	0	10	0	10	0	10
Oct-Sep Exports	0	10	0	10	0	10
Feed Dom. Consumption	225	140	200	140	0	140
TOTAL Dom. Consumption	5112	4940	5010	4940	0	4840
Ending Stocks	100	50		50	0	100
TOTAL DISTRIBUTION	5212	5000	5010	5000	0	4950

## Marketing

Discussions with local breweries since the lifting of the ban on importation of barley and barley malt show strong interest on their part in importing barley malt. One of the leading breweries in Lagos is reported to be installing a production line that will be dedicated exclusively to utilizing barley malt. Nigeria currently has no facility for malting barley, so at this time the breweries are expected to concentrate on malt.

Local analysts estimate that approximately 10 percent of the local corn crop is used by the Nigerian brewing industry, in combination with local sorghum. This is by far the largest industrial use of corn, and breweries are price setters in the Nigerian market. In their consideration of barley malt, Nigerian brewers are analyzing cost in comparison to local grain, consumer reaction to formulations including barley malt, and technical aspects of using malt versus other inputs.

However, smaller local breweries, which were not as successful in adopting the complex and expensive corn/sorghum enzyme technology employed by their larger counterparts may switch more readily to barley malt. Many of the small breweries have been producing beer on contract basis for the larger companies, and the renewed availability of malt may bring them back into production of their own products.

